

Calendar No. 590

105<sup>TH</sup> CONGRESS  
2D SESSION**H. R. 2675****[Report No. 105–337]**

IN THE SENATE OF THE UNITED STATES

NOVEMBER 5, 1997

Received; read twice and referred to the Committee on Governmental Affairs

SEPTEMBER 21, 1998

Reported by Mr. THOMPSON, with an amendment and an amendment to the  
title

[Strike out all after the enacting clause and insert the part printed in italic]

**AN ACT**

To require that the Office of Personnel Management submit proposed legislation under which group universal life insurance and group variable universal life insurance would be available under chapter 87 of title 5, United States Code, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Federal Employees  
5 Life Insurance Improvement Act”.

1 **SEC. 2. REQUIREMENT THAT A LEGISLATIVE PROPOSAL BE**  
2 **SUBMITTED.**

3 (a) ~~IN GENERAL.~~—Within 6 months after the date  
4 of enactment of this Act, the Office of Personnel Manage-  
5 ment shall submit to Congress proposed legislation under  
6 which there would be made available to Federal employees  
7 and annuitants the following:

8 (1) ~~Group universal life insurance.~~

9 (2) ~~Group variable universal life insurance.~~

10 (3) ~~Additional voluntary accidental death and~~  
11 ~~dismemberment insurance.~~

12 The proposal shall indicate whether any such insurance  
13 could be taken in addition to, in lieu of, or in combination  
14 with any insurance otherwise offered under chapter 87 of  
15 title 5, United States Code.

16 (b) ~~DESCRIPTION OF POLICIES AND COSTS.~~—The  
17 proposed legislation shall be accompanied by a report  
18 which shall include a concise description of the policies  
19 proposed, an estimate of the cost to the Government an-  
20 ticipated with respect to each of those policies, and any  
21 other information which the Office of Personnel Manage-  
22 ment may consider appropriate.

23 **SEC. 3. UNREDUCED ADDITIONAL OPTIONAL LIFE INSUR-**  
24 **ANCE.**

25 (a) ~~IN GENERAL.~~—Section 8714b of title 5, United  
26 States Code, is amended—

1           ~~(1)~~ in subsection (c)—

2                   (A) by striking the last 2 sentences of  
3           paragraph ~~(2)~~; and

4                   (B) by adding at the end the following:

5       ~~“(3)~~ The amount of additional optional insurance  
6 continued under paragraph ~~(2)~~ shall be continued, with  
7 or without reduction, in accordance with the employee’s  
8 written election at the time eligibility to continue insur-  
9 ance during retirement or receipt of compensation arises,  
10 as follows:

11           ~~“(A)~~ The employee may elect to have  
12 withholdings cease in accordance with subsection  
13 ~~(d)~~, in which case—

14                   ~~“(i)~~ the amount of additional optional in-  
15 surance continued under paragraph ~~(2)~~ shall be  
16 reduced each month by 2 percent effective at  
17 the beginning of the second calendar month  
18 after the date the employee becomes 65 years of  
19 age and is retired or is in receipt of compensa-  
20 tion; and

21                   ~~“(ii)~~ the reduction under clause (i) shall  
22 continue for 50 months at which time the insur-  
23 ance shall stop.

24           ~~“(B)~~ The employee may, instead of the option  
25 under subparagraph (A), elect to have the full cost

1 of additional optional insurance continue to be with-  
 2 held from such employee's annuity or compensation  
 3 on and after the date such withholdings would other-  
 4 wise cease pursuant to an election under subpara-  
 5 graph (A), in which case the amount of additional  
 6 optional insurance continued under paragraph (2)  
 7 shall not be reduced, subject to paragraph (4).

8 “(C) An employee who does not make any elec-  
 9 tion under the preceding provisions of this para-  
 10 graph shall be treated as if such employee had made  
 11 an election under subparagraph (A).

12 “(4) If an employee makes an election under para-  
 13 graph (3)(B), that individual may subsequently cancel  
 14 such election, in which case additional optional insurance  
 15 shall be determined as if the individual had originally  
 16 made an election under paragraph (3)(A).”; and

17 (2) in the second sentence of subsection (d)(1)  
 18 by inserting “if insurance is continued as provided  
 19 in subparagraph (A) of paragraph (3),” after “ex-  
 20 cept that,”.

21 (b) TECHNICAL AMENDMENT.—The last sentence of  
 22 section 8714b(d)(1) of title 5, United States Code, is  
 23 amended by inserting “(and any amounts withheld as pro-  
 24 vided in subsection (c)(3)(B))” after “Amounts so with-  
 25 held”.

1       (c) **EFFECTIVE DATE.**—The amendments made by  
 2 this section shall take effect on the 120th day after the  
 3 date of enactment of this Act and shall apply with respect  
 4 to employees who become eligible, on or after such 120th  
 5 day, to continue additional optional insurance during re-  
 6 tirement or receipt of compensation.

7       **SEC. 4. IMPROVED OPTIONAL LIFE INSURANCE ON FAMILY**  
 8                                   **MEMBERS.**

9       (a) **IN GENERAL.**—Subsection (b) of section 8714e  
 10 of title 5, United States Code, is amended to read as fol-  
 11 lows:

12       “(b) The optional life insurance on family members  
 13 provided under this section shall be made available to each  
 14 eligible employee who has elected coverage under this sec-  
 15 tion, under conditions the Office shall prescribe, in mul-  
 16 tiples, at the employee’s election, of 1, 2, 3, 4, or 5 times—

17               “(1) \$5,000 for a spouse; and

18               “(2) \$2,500 for each child described in section  
 19       8701(d).

20 An employee may reduce or stop coverage elected pursuant  
 21 to this section at any time.”

22       (b) **TECHNICAL AND CONFORMING AMENDMENTS.**—  
 23 Section 8714e of title 5, United States Code, is amend-  
 24 ed—

1           (1) in subsection (c)(2) by striking “section  
2       8714b(c)(2) of this title” and inserting “section  
3       8714b(c)(2)—(4)”; and

4           (2) in subsection (d)(1) by inserting before the  
5       last sentence the following: “Notwithstanding the  
6       preceding sentence, the full cost shall be continued  
7       after the calendar month in which the former em-  
8       ployee becomes 65 years of age if, and for so long  
9       as, an election under this section corresponding to  
10      that described in section 8714b(c)(3)(B) remains in  
11      effect with respect to such former employee.”.

12      (c) EFFECTIVE DATE; OPEN ENROLLMENT PE-  
13      RIOD.—

14           (1) EFFECTIVE DATE.—The amendments made  
15      by this section shall take effect on the first day of  
16      the first pay period which begins on or after the  
17      180th day following the date of enactment of this  
18      Act or on any earlier date that the Office of Person-  
19      nel Management may prescribe.

20           (2) OPEN ENROLLMENT PERIOD.—

21           (A) IN GENERAL.—Before the effective  
22      date under paragraph (1), the Office shall af-  
23      ford eligible employees a reasonable opportunity  
24      to elect to begin coverage under section 8714e  
25      of title 5, United States Code (as amended by

this section), or to increase any existing optional life insurance on family members to any amount allowable under such section (as so amended), beginning on such effective date.

(B) DEFINITION OF AN ELIGIBLE EMPLOYEE.—For purposes of subparagraph (A), the term “eligible employee” means any employee (within the meaning of section 8701 of title 5, United States Code) covered by group life insurance under section 8704(a) of such title.

**SECTION 1. SHORT TITLE.**

*This Act may be cited as the “Federal Employees Life Insurance Improvement Act”.*

**SEC. 2. STUDY AND REPORT ON CERTAIN LIFE INSURANCE OPTIONS OFFERED TO FEDERAL EMPLOYEES.**

(a) IN GENERAL.—Not later than July 31, 1998, the Office of Personnel Management shall conduct a study on life insurance options for Federal employees described under subsection (b) and submit a report to Congress.

(b) STUDY AND REPORT.—The study and report referred to under subsection (a) shall—

(1) survey and ascertain the interest of Federal employees in an offering under chapter 87 of title 5,

1       *United States Code, of insurance coverage options re-*  
 2       *lating to—*

3                     *(A) group universal life insurance;*

4                     *(B) group variable universal life insurance;*

5                     *and*

6                     *(C) additional voluntary accidental death*  
 7                     *and dismemberment insurance; and*

8                     *(2) include any comments, analysis, and rec-*  
 9                     *ommendations of the Office of Personnel Management*  
 10                    *relating to such options.*

11   **SEC. 3. REPEAL OF MAXIMUM LIMITATION ON EMPLOYEE**  
 12                    **INSURANCE.**

13       *Chapter 87 of title 5, United States Code, is amend-*  
 14       *ed—*

15                    *(1) in section 8701(c), in the first sentence, by*  
 16                    *striking the comma immediately following “\$10,000”*  
 17                    *and all that follows and inserting a period; and*

18                    *(2) in section 8714b(b), in the first sentence, by*  
 19                    *striking “except” and all that follows and inserting a*  
 20                    *period.*

21   **SEC. 4. FOSTER CHILD COVERAGE.**

22       *Section 8701(d)(1)(B) of title 5, United States Code,*  
 23       *is amended by inserting “or foster child” after “stepchild”*  
 24       *both places it appears.*



1 **SEC. 5. INCONTESTABILITY OF ERRONEOUS COVERAGE.**

2       Section 8706 of title 5, United States Code, as amend-  
3 ed by section 5(2), is further amended by adding at the  
4 end the following new subsection:

5       “(g) The insurance of an employee under a policy pur-  
6 chased under section 8709 shall not be invalidated based  
7 on a finding that the employee erroneously became insured,  
8 or erroneously continued insurance upon retirement or enti-  
9 tlement to compensation under subchapter I of chapter 81  
10 of this title, if such finding occurs after the erroneous insur-  
11 ance and applicable withholdings have been in force for 2  
12 years during the employee’s lifetime.”.

13 **SEC. 6. DIRECT PAYMENT OF INSURANCE CONTRIBUTIONS.**

14       Chapter 87 of title 5, United States Code, is amend-  
15 ed—

16               (1) in section 8707—

17                       (A) in subsection (a), by striking “(a) Dur-  
18 ing” and inserting “(a) Subject to subsection  
19 (c)(2), during”;

20                       (B) in subsection (b), by striking “(b)(1)  
21 Whenever” and inserting “(b)(1) Subject to sub-  
22 section (c)(2), whenever”; and

23                       (C) in subsection (c), by inserting “(1)” im-  
24 mediately after “(c)” and by adding at the end  
25 the following new paragraph:

1       “(2) *An employee who is subject to withholdings under*  
2 *this section and whose pay, annuity, or compensation is*  
3 *insufficient to cover such withholdings may nevertheless*  
4 *continue insurance if the employee arranges to pay cur-*  
5 *rently into the Employees’ Life Insurance Fund, through*  
6 *the agency or retirement system that administers pay, an-*  
7 *nuity, or compensation, an amount equal to the*  
8 *withholdings that would otherwise be required under this*  
9 *section.*”;

10               (2) in section 8714a(d), by adding at the end the  
11       *following new paragraph:*

12       “(3) *Notwithstanding paragraph (1), an employee who*  
13 *is subject to withholdings under this subsection and whose*  
14 *pay, annuity, or compensation is insufficient to cover such*  
15 *withholdings may nevertheless continue optional insurance*  
16 *if the employee arranges to pay currently into the Employ-*  
17 *ees’ Life Insurance Fund, through the agency or retirement*  
18 *system which administers pay, annuity, or compensation,*  
19 *an amount equal to the withholdings that would otherwise*  
20 *be required under this subsection.*”;

21               (3) in section 8714b(d), by adding at the end the  
22       *following new paragraph:*

23       “(3) *Notwithstanding paragraph (1), an employee who*  
24 *is subject to withholdings under this subsection and whose*  
25 *pay, annuity, or compensation is insufficient to cover such*

1 *withholdings may nevertheless continue additional optional*  
 2 *insurance if the employee arranges to pay currently into*  
 3 *the Employees' Life Insurance Fund, through the agency*  
 4 *or retirement system which administers pay, annuity, or*  
 5 *compensation, an amount equal to the withholdings that*  
 6 *would otherwise be required under this subsection.”; and*

7 *(4) in section 8714c(d), by adding at the end the*  
 8 *following new paragraph:*

9 *“(3) Notwithstanding paragraph (1), an employee who*  
 10 *is subject to withholdings under this subsection and whose*  
 11 *pay, annuity, or compensation is insufficient to cover such*  
 12 *withholdings may nevertheless continue optional life insur-*  
 13 *ance on family members if the employee arranges to pay*  
 14 *currently into the Employees' Life Insurance Fund, through*  
 15 *the agency or retirement system that administers pay, an-*  
 16 *nuity, or compensation, an amount equal to the*  
 17 *withholdings that would otherwise be required under this*  
 18 *subsection.”.*

19 **SEC. 7. ADDITIONAL OPTIONAL LIFE INSURANCE CONTINU-**  
 20 **ATION AND PORTABILITY.**

21 *(a) IN GENERAL.—Section 8714b of title 5, United*  
 22 *States Code, is amended—*

23 *(1) in subsection (c)—*

24 *(A) by striking the last 2 sentences of para-*  
 25 *graph (2); and*

1                   (B) by adding at the end the following:

2           “(3) The amount of additional optional insurance con-  
3 tinued under paragraph (2) shall be continued, with or  
4 without reduction, in accordance with the employee’s writ-  
5 ten election at the time eligibility to continue insurance  
6 during retirement or receipt of compensation arises, as fol-  
7 lows:

8                   “(A) The employee may elect to have  
9 withholdings cease in accordance with subsection (d),  
10 in which case—

11                       “(i) the amount of additional optional in-  
12 surance continued under paragraph (2) shall be  
13 reduced each month by 2 percent effective at the  
14 beginning of the second calendar month after the  
15 date the employee becomes 65 years of age and  
16 is retired or is in receipt of compensation; and

17                       “(ii) the reduction under clause (i) shall  
18 continue for 50 months at which time the insur-  
19 ance shall stop.

20                   “(B) The employee may, instead of the option  
21 under subparagraph (A), elect to have the full cost of  
22 additional optional insurance continue to be withheld  
23 from such employee’s annuity or compensation on  
24 and after the date such withholdings would otherwise  
25 cease pursuant to an election under subparagraph

1       (A), in which case the amount of additional optional  
2       insurance continued under paragraph (2) shall not be  
3       reduced, subject to paragraph (4).

4               “(C) An employee who does not make any elec-  
5       tion under the preceding provisions of this paragraph  
6       shall be treated as if such employee had made an elec-  
7       tion under subparagraph (A).

8               “(4) If an employee makes an election under para-  
9       graph (3)(B), that individual may subsequently cancel such  
10      election, in which case additional optional insurance shall  
11      be determined as if the individual had originally made an  
12      election under paragraph (3)(A).

13              “(5)(A) An employee whose additional optional insur-  
14      ance under this section would otherwise stop in accordance  
15      with paragraph (1) and who is not eligible to continue in-  
16      surance under paragraph (2) may elect, under conditions  
17      prescribed by the Office of Personnel Management, to con-  
18      tinue all or a portion of so much of the additional optional  
19      insurance as has been in force for not less than—

20                      “(i) the 5 years of service immediately preceding  
21      the date of the event which would cause insurance to  
22      stop under paragraph (1); or

23                      “(ii) the full period or periods of service during  
24      which the insurance was available to the employee, if  
25      fewer than 5 years,

1 at group rates established for purposes of this section, in  
2 lieu of conversion to an individual policy. The amount of  
3 insurance continued under this paragraph shall be reduced  
4 by 50 percent effective at the beginning of the second cal-  
5 endar month after the date the employee or former employee  
6 attains age 70 and shall stop at the beginning of the second  
7 calendar month after attainment of age 80, subject to a pro-  
8 vision for temporary extension of life insurance coverage  
9 and for conversion to an individual policy of life insurance  
10 under conditions approved by the Office. Alternatively, in-  
11 surance continued under this paragraph may be reduced  
12 or stopped at any time the employee or former employee  
13 elects.

14       “(B) When an employee or former employee elects to  
15 continue additional optional insurance under this para-  
16 graph following separation from service or 12 months with-  
17 out pay, the insured individual shall submit timely pay-  
18 ment of the full cost thereof, plus any amount the Office  
19 determines necessary to cover associated administrative ex-  
20 penses, in such manner as the Office shall prescribe by regu-  
21 lation. Amounts required under this subparagraph shall be  
22 deposited, used, and invested as provided under section  
23 8714 and shall be reported and accounted for together with  
24 amounts withheld under section 8714a(d).

1       “(C)(i) *Subject to clause (ii), no election to continue*  
 2 *additional optional insurance may be made under this*  
 3 *paragraph 3 years after the effective date of this paragraph.*

4       “(ii) *On and after the date on which an election may*  
 5 *not be made under clause (i), all additional optional insur-*  
 6 *ance under this paragraph for former employees shall ter-*  
 7 *minate, subject to a provision for temporary extension of*  
 8 *life insurance coverage and for conversion to an individual*  
 9 *policy of life insurance under conditions approved by the*  
 10 *Office.”; and*

11               *(2) in the second sentence of subsection (d)(1) by*  
 12       *inserting “if insurance is continued as provided*  
 13       *under subsection (c)(3)(A),” after “except that,”.*

14       **(b) REPORT.**—*Not later than 3 years after the date*  
 15 *of enactment of this Act, the Office of Personnel Manage-*  
 16 *ment shall submit a report to Congress on additional op-*  
 17 *tional insurance provided under section 8714b(c)(5) of title*  
 18 *5, United States Code (as added by subsection (a) of this*  
 19 *section). Such report shall include recommendations on*  
 20 *whether continuation for such additional optional insur-*  
 21 *ance should terminate as provided under such section, be*  
 22 *extended, or be made permanent.*

23       **(c) TECHNICAL AMENDMENT.**—*The last sentence of sec-*  
 24 *tion 8714b(d)(1) of title 5, United States Code, is amended*

1 by inserting “(and any amounts withheld as provided in  
2 subsection (c)(3)(B))” after “Amounts so withheld”.

3 **SEC. 8. IMPROVED OPTIONAL LIFE INSURANCE ON FAMILY**  
4 **MEMBERS.**

5 (a) *IN GENERAL.*—Section 8714c(b) of title 5, United  
6 States Code, is amended to read as follows:

7 “(b)(1) The optional life insurance on family members  
8 provided under this section shall be made available to each  
9 eligible employee who has elected coverage under this sec-  
10 tion, under conditions the Office shall prescribe, in mul-  
11 tiples, at the employee’s election, of 1, 2, 3, 4, or 5 times—

12 “(A) \$5,000 for a spouse; and

13 “(B) \$2,500 for each child described under sec-  
14 tion 8701(d).

15 “(2) An employee may reduce or stop coverage elected  
16 pursuant to this section at any time.”.

17 (b) *TECHNICAL AND CONFORMING AMENDMENTS.*—  
18 Section 8714c of title 5, United States Code, is amended—

19 (1) in subsection (c)(2), by striking “section  
20 8714b(c)(2) of this title” and inserting “section  
21 8714b(c) (2) through (4)”; and

22 (2) in subsection (d)(1), by inserting before the  
23 last sentence the following: “Notwithstanding the pre-  
24 ceding sentence, the full cost shall be continued after  
25 the calendar month in which the former employee be-



1        comes 65 years of age if, and for so long as, an elec-  
 2        tion under this section corresponding to that described  
 3        in section 8714b(c)(3)(B) remains in effect with re-  
 4        spect to such former employee.”.

5    **SEC. 9. OPEN SEASON.**

6        Beginning not later than 180 days after the date of  
 7        enactment of this Act, the Office of Personnel Management  
 8        shall conduct an open enrollment opportunity for purposes  
 9        of chapter 87 of title 5, United States Code, over a period  
 10       of not less than 8 weeks. During this period, an employee  
 11       (as defined under section 8701(a) of such title)—

12                (1) may, if the employee previously declined or  
 13        voluntarily terminated any coverage under chapter 87  
 14        of such title, elect to begin, resume, or increase group  
 15        life insurance (and acquire applicable accidental  
 16        death and dismemberment insurance) under all sec-  
 17        tions of such chapter without submitting evidence of  
 18        insurability; and

19                (2) may, if currently insured for optional life in-  
 20        surance on family members, elect an amount above  
 21        the minimum insurance on a spouse.

22    **SEC. 10. MERIT SYSTEM JUDICIAL REVIEW.**

23        (a) *IN GENERAL.*—Section 7703 of title 5, United  
 24        States Code, is amended—

1           (1) in subsection (b)(1) by striking “within 30  
2       days” and inserting “within 60 days”; and

3           (2) in subsection (d) in the first sentence, by in-  
4       serting after “filing” the following: “, within 60 days  
5       after the date the Director received notice of the final  
6       order or decision of the Board,”.

7       (b) *EFFECTIVE DATE.*—The amendments made by this  
8       section shall take effect on the date of enactment of this Act,  
9       and apply to any suit, action, or other administrative or  
10      judicial proceeding pending on such date or commenced on  
11      or after such date.

12   **SEC. 11. EFFECTIVE DATES.**

13      (a) *IN GENERAL.*—Except as otherwise provided in  
14      this Act, the amendments made by this Act shall take effect  
15      on the date of enactment of this Act.

16      (b) *MAXIMUM LIMITATION ON EMPLOYEE INSUR-*  
17      *ANCE.*—Section 3 shall take effect on the first day of the  
18      first applicable pay period beginning on or after the date  
19      of enactment of this Act.

20      (c) *ERRONEOUS COVERAGE.*—Section 5 shall be effec-  
21      tive in any case in which a finding of erroneous insurance  
22      coverage is made on or after the date of enactment of this  
23      Act.

24      (d) *DIRECT PAYMENT OF INSURANCE CONTRIBU-*  
25      *TIONS.*—Section 6 shall take effect on the first day of the

1 *first applicable pay period beginning on or after the date*  
 2 *of enactment of this Act.*

3 *(e) ADDITIONAL OPTIONAL LIFE INSURANCE.—*

4 *(1) IN GENERAL.—Section 7 shall take effect on*  
 5 *the first day of the first pay period that begins on or*  
 6 *after the 180th day following the date of enactment of*  
 7 *this Act, or on any earlier date that the Office of Per-*  
 8 *sonnel Management may prescribe that is at least 60*  
 9 *days after the date of enactment of this Act.*

10 *(2) REGULATIONS.—The Office shall prescribe*  
 11 *regulations under which an employee may elect to*  
 12 *continue additional optional insurance that remains*  
 13 *in force on such effective date without subsequent re-*  
 14 *duction and with the full cost withheld from annuity*  
 15 *or compensation on and after such effective date if*  
 16 *that employee—*

17 *(A) separated from service before such effec-*  
 18 *tive date due to retirement or entitlement to*  
 19 *compensation under subchapter I of chapter 81*  
 20 *of title 5, United States Code; and*

21 *(B) continued additional optional insur-*  
 22 *ance pursuant to section 8714b(c)(2) as in effect*  
 23 *immediately before such effective date.*

24 *(f) IMPROVED OPTIONAL LIFE INSURANCE ON FAMILY*  
 25 *MEMBERS.—The amendments made by section 8 shall take*

1 *effect on the first day of the first pay period which begins*  
 2 *on or after the 180th day following the date of enactment*  
 3 *of this Act or on any earlier date that the Office of Person-*  
 4 *nel Management may prescribe.*

5 *(g) OPEN SEASON.—Any election made by an em-*  
 6 *ployee under section 9, and applicable withholdings, shall*  
 7 *be effective on the first day of the first applicable pay period*  
 8 *that—*

9 *(1) begins on or after the date occurring 365*  
 10 *days after the first day of the election period author-*  
 11 *ized under section 9; and*

12 *(2) follows a pay period in which the employee*  
 13 *was in a pay and duty status.*

Amend the title so as to read: “An Act to provide for the Office of Personnel Management to conduct a study and submit a report to Congress on the provision of certain options for universal life insurance coverage and additional death and dismemberment insurance under chapter 87 of title 5, United States Code, to improve the administration of such chapter, and for other purposes.”.



Calendar No. 590

105<sup>TH</sup> CONGRESS  
2<sup>D</sup> Session

**H. R. 2675**

[Report No. 105-337]

**AN ACT**

To require that the Office of Personnel Management submit proposed legislation under which group universal life insurance and group variable universal life insurance would be available under chapter 87 of title 5, United States Code, and for other purposes.

SEPTEMBER 21, 1998

Reported with an amendment and an amendment to the title